
**SELECTED PROVISIONS OF THE INTERNAL REVENUE
CODE OF 1986**

INTERNAL REVENUE CODE OF 1986

Subtitle A—Income Taxes

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CHAPTER 1—NORMAL TAXES AND SURTAXES

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Subchapter B—Computation of Taxable Income

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PART III—ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

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SEC. 132. CERTAIN FRINGE BENEFITS.

(a) EXCLUSION FROM GROSS INCOME.—Gross income shall not include any fringe benefit which qualifies as a—

- (1) no-additional-cost service,
- (2) qualified employee discount,
- (3) working condition fringe,
- (4) de minimis fringe,
- (5) qualified transportation fringe, or
- (6) qualified moving expense reimbursement.

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(f) QUALIFIED TRANSPORTATION FRINGE.—

(1) IN GENERAL.—For purposes of this section, the term “qualified transportation fringe” means any of the following provided by an employer to an employee:

- (A) Transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee’s residence and place of employment.
- (B) Any transit pass.
- (C) Qualified parking.

(2) Limitation on exclusion.—The amount of the fringe benefits which are provided by an employer to any employee and which may be excluded from gross income under subsection (a)(5) shall not exceed—

- (A) \$60 per month in the case of the aggregate of the benefits described in subparagraphs (A) and (B) of paragraph (1), and
- (B) \$155 per month in the case of qualified parking.

(3) CASH REIMBURSEMENTS.—For purposes of this subsection, the term “qualified transportation fringe” includes a cash reimbursement by an employer to an employee for a benefit described in paragraph (1). The preceding sentence shall apply to a cash reimbursement for any transit pass only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer to the employee.

(4) NO CONSTRUCTIVE RECEIPT.—No amount shall be included in the gross income of an employee solely because the employee may choose between any qualified transportation fringe and compensation which would otherwise be includible in gross income of such employee.

(5) DEFINITIONS.—For purposes of this subsection—

(A) TRANSIT PASS.—The term “transit pass” means any pass, token, farecard, voucher, or similar item entitling a person to transportation (or transportation at a reduced price) if such transportation is—

(i) on mass transit facilities (whether or not publicly owned), or

(ii) provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle meeting the requirements of subparagraph (B)(i).

(B) COMMUTER HIGHWAY VEHICLE.—The term “commuter highway vehicle” means any highway vehicle

(i) the seating capacity of which is at least 6 adults (not including the driver), and

(ii) at least 80 percent of the mileage use of which can reasonably be expected to be—

(I) for purposes of transporting employees in connection with travel between their residences and their place of employment, and

(II) on trips during which the number of employees transported for such purposes is at least $\frac{1}{2}$ of the adult seating capacity of such vehicle (not including the driver).

(C) QUALIFIED PARKING.—The term “qualified parking” means parking provided to an employee on or near the business premises of the employer or on or near a location from which the employee commutes to work by transportation described in subparagraph (A), in a commuter highway vehicle, or by carpool. Such term shall not include any parking on or near property used by the employee for residential purposes.

(D) TRANSPORTATION PROVIDED BY EMPLOYER.—Transportation referred to in paragraph (1)(A) shall be considered to be provided by an employer if such transportation is furnished in a commuter highway vehicle operated by or for the employer.

(E) EMPLOYEE.—For purposes of this subsection, the term “employee” does not include an individual who is an employee within the meaning of section 401(c)(1).

(6) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1993, the dollar amounts contained in paragraph (2)(A) and (B) shall be increased by an amount equal to—

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

If any increase determined under the preceding sentence is not a multiple of \$5, such increase shall be rounded to the next lowest multiple of \$5.

(7) COORDINATION WITH OTHER PROVISIONS.—For purposes of this section, the terms “working condition fringe” and “de minimis fringe” shall not include any qualified transportation fringe (determined without regard to paragraph (2)).

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Subtitle I—Trust Fund Code

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CHAPTER 98—TRUST FUND CODE

Subchapter A. Establishment of Trust Funds.

Subchapter B. General provisions.

Subchapter A—Establishment of Trust Funds

Sec. 9501. Black Lung Disability Trust Fund.

Sec. 9502. Airport and Airway Trust Fund.

Sec. 9503. Highway Trust Fund.

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SEC. 9503. HIGHWAY TRUST FUND.

(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the “Highway Trust Fund”, consisting of such amounts as may be appropriated or credited to the Highway Trust Fund as provided in this section or section 9602(b).

(b) TRANSFER TO HIGHWAY TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) IN GENERAL.—There are hereby appropriated to the Highway Trust Fund amounts equivalent to the taxes received in the Treasury before October 1, 2005, under the following provisions—

(A) section 4041 (relating to taxes on diesel fuels and special motor fuels),

(B) section 4051 (relating to retail tax on heavy trucks and trailers),

(C) section 4071 (relating to tax on tires),

(D) section 4081 (relating to tax on gasoline, diesel fuel, and kerosene), and

(E) section 4481 (relating to tax on use of certain vehicles).

(2) LIABILITIES INCURRED BEFORE OCTOBER 1, 2005.—There are hereby appropriated to the Highway Trust Fund amounts equivalent to the taxes which are received in the Treasury after September 30, 2005, and before July 1, 2000, and which are attributable to liability for tax incurred before October 1, 2005, under the provisions described in paragraph (1).

(3) ADJUSTMENTS FOR AVIATION USES.—The amounts described in paragraphs (1) and (2) with respect to any period shall (before the application of this subsection) be reduced by appropriate amounts to reflect any amounts transferred to the Airport and Airway Trust Fund under section 9502(b) with respect to such period.

(4) CERTAIN TAXES NOT TRANSFERRED TO HIGHWAY TRUST FUND.—For purposes of paragraphs (1) and (2), there shall not be taken into account the taxes imposed by—

(A) section 4041(d),

(B) section 4081 to the extent attributable to the rate specified in section 4081(a)(2)(B),

(C) section 4041 or 4081 to the extent attributable to fuel used in a train,

(D) in the case of gasoline and special motor fuels used as described in paragraph (4)(D) or (5)(B) of subsection (c), section 4041 or 4081 with respect to so much of the rate of tax as exceeds—

(i) 11.5 cents per gallon with respect to taxes imposed before October 1, 2001,

(ii) 13 cents per gallon with respect to taxes imposed after September 30, 2001, and before October 1, 2003, and

(iii) 13.5 cents per gallon with respect to taxes imposed after September 30, 2003, and before October 1, 2005,

(E) in the case of fuels described in section 4041(b)(2)(A), 4041(k), or 4081(c), section 4041 or 4081 before October 1, 2005, with respect to a rate equal to 2.5 cents per gallon, or

(F) in the case of fuels described in section 4081(c)(2), such

(section before October 1, 2005, with respect to a rate equal to 2.8 cents per gallon.

(5) GENERAL REVENUE DEPOSITS OF CERTAIN TAXES ON ALCOHOL MIXTURES.—For purposes of this section, the amounts which would (but for this paragraph) be required to be appropriated under subparagraphs (A) and (E) of paragraph (1) shall be reduced by—

(A) 0.6 cent per gallon in the case of taxes imposed on any mixture at least 10 percent of which is alcohol (as defined in section 4081(c)(3)) if any portion of such alcohol is ethanol, and

(B) 0.67 cent per gallon in the case of gasoline, diesel fuel, or kerosene used in producing a mixture described in subparagraph (A).

(6) LIMITATION ON TRANSFERS TO HIGHWAY TRUST FUND.—

(A) IN GENERAL.—Except as provided in subparagraph (B), no amount may be appropriated to the Highway Trust Fund on and after the date of any expenditure from the Highway Trust Fund which is not permitted by this section. The determination of whether an expenditure is so permitted shall be made without regard to—

(i) any provision of law which is not contained or referenced in this title or in a revenue Act, and

(ii) whether such provision of law is a subsequently enacted provision or directly or indirectly seeks to waive the application of this paragraph.

(B) EXCEPTION FOR PRIOR OBLIGATIONS.—Subparagraph (A) shall not apply to any expenditure to liquidate any contract entered into (or for any amount otherwise obligated) before October 1, 2003, in accordance with the provisions of this section.

(c) EXPENDITURES FROM HIGHWAY TRUST FUND.—

(1) FEDERAL-AID HIGHWAY PROGRAM.—Except as provided in subsection (e), amounts in the Highway Trust Fund shall be available, as provided by appropriation Acts, for making expenditures before October 1, 2003, to meet those obligations of the United States heretofore or hereafter incurred which are—

(A) authorized by law to be paid out of the Highway Trust Fund established by section 209 of the Highway Revenue Act of 1956,

(B) authorized to be paid out of the Highway Trust Fund under title I or II of the Surface Transportation Assistance Act of 1982,

(C) authorized to be paid out of the Highway Trust Fund under the Surface Transportation and Uniform Relocation Assistance Act of 1987,

(D) authorized to be paid out of the Highway Trust Fund under the Intermodal Surface Transportation Efficiency Act of 1991, or

(E) authorized to be paid out of the Highway Trust Fund under the Transportation Equity Act for the 21st Century.

In determining the authorizations under the Acts referred to in the preceding subparagraphs, such Acts shall be applied as in effect on the date of the enactment of the TEA 21 Restoration Act

(2) TRANSFERS FROM HIGHWAY TRUST FUND FOR CERTAIN REPAYMENTS AND CREDITS.—

(A) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the general fund of the Treasury amounts equivalent to—

(i) the amounts paid before July 1, 2006, under—

(I) section 6420 (relating to amounts paid in respect of gasoline used on farms),

(II) section 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems), and

- (III) section 6427 (relating to fuels not used for taxable purposes), on the basis of claims filed for periods ending before October 1, 2005, and
- (ii) the credits allowed under section 34 (relating to credit for certain uses of fuels) with respect to gasoline, special fuels, and lubricating oil used before October 1, 2005.

The amounts payable from the Highway Trust Fund under this subparagraph or paragraph (3) shall be determined by taking into account only the portion of the taxes which are deposited into the Highway Trust Fund.

(B) TRANSFERS BASED ON ESTIMATES.—Transfers under subparagraph (A) shall be made on the basis of estimates by the Secretary, and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess or less than the amounts required to be transferred.

(C) EXCEPTION FOR USE IN AIRCRAFT AND MOTORBOATS.—This paragraph shall not apply to amounts estimated by the Secretary as attributable to use of gasoline and special fuels in motorboats or in aircraft.

(3) FLOOR STOCKS REFUNDS.—The Secretary shall pay from time to time from the Highway Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 2006, under section 6412(a).

(4) TRANSFERS FROM THE TRUST FUND FOR MOTORBOAT FUEL TAXES.—

(A) TRANSFER TO BOAT SAFETY ACCOUNT.—

(i) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the Boat Safety Account in the Aquatic Resources Trust Fund amounts (as determined by him) equivalent to the motorboat fuel taxes received on or after October 1, 1980, and before October 1, 2005.

(ii) LIMITATIONS.—

(I) LIMIT ON TRANSFERS DURING ANY FISCAL YEAR.—The aggregate amount transferred under this subparagraph during any fiscal year shall not exceed \$60,000,000 for each of fiscal years 1989 and 1990 and \$70,000,000 for each fiscal year thereafter.

(II) LIMIT ON AMOUNT IN FUND.—No amount shall be transferred under this subparagraph if the Secretary determines that such transfer would result in increasing the amount in the Boat Safety Account to a sum in excess of \$60,000,000 for fiscal year 1987 only and \$45,000,000 for each fiscal year thereafter.

“In making the determination under subclause (II) for any fiscal year, the Secretary shall not take into account any amount appropriated from the Boat Safety Account in any preceding fiscal year but not distributed.”.

(B) \$1,000,000 PER YEAR OF EXCESS TRANSFERRED TO LAND AND WATER CONSERVATION FUND.—

(i) IN GENERAL.—Any amount received in the Highway Trust Fund—

(I) which is attributable to motorboat fuel taxes, and

(II) which is not transferred from the Highway Trust Fund under subparagraph (A), shall be transferred (subject to the limitation of clause (ii)) by the Secretary from the Highway Trust Fund into the land and water conservation fund provided for in title I of the Land and Water Conservation Fund Act of 1965.

(ii) LIMITATION.—The aggregate amount transferred under this subparagraph during any fiscal year shall not exceed \$1,000,000.

(C) EXCESS FUNDS TRANSFERRED TO SPORT FISH RESTORATION ACCOUNT.—Any amount received in the Highway Trust Fund—

(i) which is attributable to motorboat fuel taxes, and

(ii) which is not transferred from the Highway Trust Fund under subparagraph (A) or (B), shall be transferred by the Secretary from the Highway Trust Fund into the Sport Fish Restoration Account in the Aquatic Resources Trust Fund.

(D) MOTORBOAT FUEL TAXES.—For purposes of this paragraph, the term “motorboat fuel taxes” means the taxes under section 4041(a)(2) with respect to special motor fuels used as fuel in motorboats and under section 4081 with respect to gasoline used as fuel in motorboats, but only to the extent such taxes are deposited into the Highway Trust Fund.

(E) DETERMINATION.—The amount of payments made under this paragraph after October 1, 1986 shall be determined by the Secretary in accordance with the methodology described in the Treasury Department’s Report to Congress of June 1986 entitled “Gasoline Excise Tax Revenues Attributable to Fuel Used in Recreational Motorboats.”

(5) TRANSFERS FROM THE TRUST FUND FOR SMALL-ENGINE FUEL TAXES.—

(A) IN GENERAL.—The Secretary shall pay from time to time from the Highway Trust Fund into the Sport Fish Restoration Account in the Aquatic Resources Trust Fund amounts (as determined by him) equivalent to the small-engine fuel taxes received on or after December 1, 1990, and before October 1, 2005.

(B) SMALL-ENGINE FUEL TAXES.—For purposes of this paragraph, the term “small-engine fuel taxes” means the taxes under section 4081 with respect to gasoline used as a fuel in the nonbusiness use of small-engine outdoor power equipment, but only to the extent such taxes are deposited into the Highway Trust Fund.

(d) ADJUSTMENTS OF APPORTIONMENTS.—

(1) ESTIMATES OF UNFUNDED HIGHWAY AUTHORIZATIONS AND NET HIGHWAY RECEIPTS.—The Secretary of the Treasury, not less frequently than once in each calendar quarter, after consultation with the Secretary of Transportation, shall estimate—

(A) the amount which would (but for this subsection) be the unfunded highway authorizations at the close of the next fiscal year, and

(B) the net highway receipts for the 24-month period beginning at the close of such fiscal year.

(2) PROCEDURE WHERE THERE IS EXCESS UNFUNDED HIGHWAY AUTHORIZATIONS.—If the Secretary of the Treasury determines for any fiscal year that the amount described in paragraph (1)(A) exceeds the amount described in paragraph (1)(B)—

(A) he shall so advise the Secretary of Transportation, and

(B) he shall further advise the Secretary of Transportation as to the amount of such excess.

(3) ADJUSTMENT OF APPORTIONMENTS WHERE UNFUNDED AUTHORIZATIONS EXCEED 2 YEARS' RECEIPTS.—

(A) DETERMINATION OF PERCENTAGE.—If, before any apportionment to the States is made, in the most recent estimate made by the Secretary of the Treasury there is an excess referred to in paragraph (2)(B), the Secretary of Transportation shall determine the percentage which—

(i) the excess referred to in paragraph (2)(B), is of

(ii) the amount authorized to be appropriated from the Trust Fund for the fiscal year for apportionment to the States.

If, but for this sentence, the most recent estimate would be one which was made on a date which will be more than 3 months before the date of the apportionment, the Secretary of the Treasury shall make a new estimate under paragraph (1) for the appropriate fiscal year.

(B) ADJUSTMENT OF APPORTIONMENTS.—If the Secretary of Transportation determines a percentage under subparagraph (A) for purposes of any apportionment, notwithstanding any other provision of law, the Secretary of Transportation shall apportion to the States (in lieu of the amount which, but for the provisions of this subsection, would be so apportioned) the amount obtained by reducing the amount authorized to be so apportioned by such percentage.

(4) APPORTIONMENT OF AMOUNTS PREVIOUSLY WITHHELD FROM APPORTIONMENT.—If, after funds have been withheld from apportionment under paragraph (3)(B), the Secretary of the Treasury determines that the amount described in paragraph (1)(A) does not exceed the amount described in paragraph (1)(B) or that the excess described in paragraph (1)(B) is less than the amount previously determined, he shall so advise the Secretary of Transportation. The Secretary of Transportation shall apportion to the States such portion of the

funds so withheld from apportionment as the Secretary of the Treasury has advised him may be so apportioned without causing the amount described in paragraph (1)(A) to exceed the amount described in paragraph (1)(B). Any funds apportioned pursuant to the preceding sentence shall remain available for the period for which they would be available if such apportionment took effect with the fiscal year in which they are apportioned pursuant to the preceding sentence.

(5) DEFINITIONS.—For purposes of this subsection—

(A) UNFUNDED HIGHWAY AUTHORIZATIONS.—The term “unfunded highway authorizations” means, at any time, the excess (if any) of—

(i) the total potential unpaid commitments at such time as a result of the apportionment to the States of the amounts authorized to be appropriated from the Highway Trust Fund, over

(ii) the amount available in the Highway Trust Fund at such time to defray such commitments (after all other unpaid commitments at such time which are payable from the Highway Trust Fund have been defrayed).

(B) NET HIGHWAY RECEIPTS.—The term “net highway receipts” means, with respect to any period, the excess of—

(i) the receipts (including interest) of the Highway Trust Fund during such period, over

(ii) the amounts to be transferred during such period from such Fund under subsection (c) (other than paragraph (1) thereof).

(6) REPORTS.—Any estimate under paragraph (1) and any determination under paragraph (2) shall be reported by the Secretary of the Treasury to the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, the Committees on the Budget of both Houses, the Committee on Public Works and Transportation of the House of Representatives, and the Committee on Environment and Public Works of the Senate.

(e) ESTABLISHMENT OF MASS TRANSIT ACCOUNT.—

(1) CREATION OF ACCOUNT.—There is established in the Highway Trust Fund a separate account to be known as the “Mass Transit Account” consisting of such amounts as may be transferred or credited to the Mass Transit Account as provided in this subsection or section 9602(b).

(2) TRANSFERS TO MASS TRANSIT ACCOUNT.—The Secretary of the Treasury shall transfer to the Mass Transit Account the mass transit portion of the amounts appropriated to the Highway Trust Fund under subsection (b) which are attributable to taxes under sections 4041 and 4081 imposed after March 31, 1983. For purposes of the preceding sentence, the term ‘mass transit portion’ means, for any fuel with respect to which tax was imposed under section 4041 or 4081 and otherwise deposited into the Highway Trust Fund, the amount determined at the rate of—

(A) except as otherwise provided in this sentence, 2.86 cents per gallon,

(B) 1.43 cents per gallon in the case of any partially exempt methanol or ethanol fuel (as defined in section 4041(m)) none of the alcohol in which consists of ethanol,

(C) 1.86 cents per gallon in the case of liquefied natural gas,

(D) 2.13 cents per gallon in the case of liquefied petroleum gas, and

(E) 9.71 cents per MCF (determined at standard temperature and pressure) in the case of compressed natural gas.

(3) EXPENDITURES FROM ACCOUNT.—Amounts in the Mass Transit Account shall be available, as provided by appropriation Acts, for making capital or capital-related expenditures before October 1, 2003 (including capital expenditures for new projects) in accordance with—

(A) section 5338(a)(1) or (b)(1) of title 49,

(B) the Intermodal Surface Transportation Efficiency Act of 1991, or

(C) the Transportation Equity Act for the 21st Century,

as such section and Acts are in effect on the date of enactment of the Transportation Equity Act for the 21st Century.¹

(4) LIMITATION.—Rules similar to the rules of subsection (d) shall apply to the Mass Transit Account.

(5) PORTION OF CERTAIN TRANSFERS TO BE MADE FROM ACCOUNT.—

(A) IN GENERAL.—Transfers under paragraphs (2), (3), and (4) of subsection (c) shall be borne by the Highway Account and the Mass Transit Account in proportion to the respective revenues transferred under this section to the Highway Account (after the application of paragraph (2)) and the Mass Transit Account.

(B) HIGHWAY ACCOUNT.—For purposes of subparagraph (A), the term “Highway Account” means the portion of the Highway Trust Fund which is not the Mass Transit Account.

(f) DETERMINATION OF TRUST FUND BALANCES AFTER SEPTEMBER 30, 1998.—For purposes of determining the balances of the Highway Trust Fund and the Mass Transit Account after September 30, 1998—

(1) the opening balance of the Highway Trust Fund (other than the Mass Transit Account) on October 1, 1998, shall be \$8,000,000,000, and

(2) no interest accruing after September 30, 1998, on any obligation held by such Fund shall be credited to such Fund. The Secretary shall cancel obligations held by the Highway Trust Fund to reflect the reduction in the balance under this subsection.

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¹Section 9(a)(2)(B) of P.L. 105–130 attempted to amend this paragraph by striking all that follows “the enactment of” and inserting “the last sentence of subsection (c)(1).”. The amendment could not be executed due to the amendment made by section 1 of P.L. 105–102. Also, the amendment made by section 1 of Public Law 105–102 probably should have inserted a period.

Subchapter B—General Provisions

Sec. 9601. Transfer of amounts.

Sec. 9602. Management of Trust Funds.

SEC. 9601. TRANSFER OF AMOUNTS.

The amounts appropriated by any section of subchapter A to any Trust Fund established by such subchapter shall be transferred at least monthly from the general fund of the Treasury to such Trust Fund on the basis of estimates made by the Secretary of the Treasury of the amounts referred to in such section. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

SEC. 9602. MANAGEMENT OF TRUST FUNDS.

(a) REPORT.—It shall be the duty of the Secretary of the Treasury to hold each Trust Fund established by subchapter A, and (after consultation with any other trustees of the Trust Fund) to report to the Congress each year on the financial condition and the results of the operations of each such Trust Fund during the preceding fiscal year and on its expected condition and operations during the next 5 fiscal years. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(b) INVESTMENT.—

(1) IN GENERAL.—It shall be the duty of the Secretary of the Treasury to invest such portion of any Trust Fund established by subchapter A as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired—

(A) on original issue at the issue price, or

(B) by purchase of outstanding obligations at the market price.

(2) SALE OF OBLIGATIONS.—Any obligation acquired by a Trust Fund established by subchapter A may be sold by the Secretary of the Treasury at the market price.

(3) INTEREST ON CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in a Trust Fund established by subchapter A shall be credited to and form a part of the Trust Fund.

INTERNAL REVENUE CODE OF 1986

Subtitle D—Miscellaneous Excise Taxes

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CHAPTER 31—RETAIL EXCISE TAXES

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Subchapter B—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Tax on fuel used in commercial transportation on inland waterways.

SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL AND SPECIAL MOTOR FUELS.—

(1) TAX ON DIESEL FUEL IN CERTAIN CASES.—

(A) In general.—There is hereby imposed a tax on any liquid other than gasoline (as defined in section 4083)—

(i) no tax shall be imposed by subsection (a) or (d)(1) during the period beginning on the date which is 7 days after the date of the enactment of the Small Business Job Protection Act of 1996 and ending on December 31, 1997,

(ii) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle or a diesel-powered train for use as a fuel in such vehicle or train, or

(iii) used by any person as a fuel in a diesel-powered highway vehicle or a diesel-powered train unless there was a taxable sale of such fuel under clause (i).

(B) EXEMPTION FOR PREVIOUSLY TAXED FUEL.—No tax shall be imposed by this paragraph on the sale or use of any liquid if tax was imposed on such liquid under section 4081 and the tax thereon was not credited or refunded.

(C) RATE OF TAX.—

(i) In general.—Except as otherwise provided in this subparagraph, the rate of the tax imposed by this paragraph shall be the rate of tax specified in section 4081(a)(2)(A) on diesel fuel which is in effect at the time of such sale or use.

(ii) Rate of tax on trains.—In the case of any sale for use, or use, of diesel fuel in a train, the rate of tax imposed by this paragraph shall be—

(I) 6.8 cents per gallon after September 30, 1993, and before October 1, 1995,

(II) 5.55 cents per gallon after September 30, 1995, and before November 1, 1998, and

(III) 4.3 cents per gallon after October 31, 1998.

(iii) Rate of tax on certain buses.—

(I) In general.—Except as provided in subclause (II), in the case of fuel sold for use or used in a use described in section 6427(b)(1) (after the application of section 6427(b)(3)), the rate of tax imposed by this paragraph shall be 7.3 cents per gallon (4.3 cents per gallon after September 30, 2005).

(II) School bus and intracity transportation.—No tax shall be imposed by this paragraph on any sale for use, or use, described in subparagraph (B) or (C) of section 6427(b)(2).

(2) SPECIAL MOTOR FUELS.—

(A) IN GENERAL.—There is hereby imposed a tax on any liquid (other than kerosene, gas oil, fuel oil, or any product taxable under section 4081)—

(i) sold by any person to an owner, lessee, or other operator of a motor vehicle or motorboat for use as a fuel in such motor vehicle or motorboat, or

(ii) used by any person as a fuel in a motor vehicle or motorboat unless there was a taxable sale of such liquid under clause (i).

(B) RATE OF TAX.—The rate of the tax imposed by this paragraph shall be—

(i) except as otherwise provided in this subparagraph, the rate of tax specified in section 4081(a)(2)(A)(i) which is in effect at the time of such sale or use,

(ii) 13.6 cents per gallon in the case of liquefied petroleum gas, and

(iii) 11.9 cents per gallon in the case of liquefied natural gas.

In the case of any sale or use after September 30, 2005, clause (ii) shall be applied by substituting “3.2 cents” for “13.6 cents”, and clause (iii) shall be applied by substituting “2.8 cents” for “11.9 cents”.

(3) COMPRESSED NATURAL GAS.—

(A) IN GENERAL.—There is hereby imposed a tax on compressed natural gas—

(i) sold by any person to an owner, lessee, or other operator of a motor vehicle or motorboat for use as a fuel in such motor vehicle or motorboat, or

(ii) used by any person as a fuel in a motor vehicle or motorboat unless there was a taxable sale of such gas under clause (i).

The rate of the tax imposed by this paragraph shall be 48.54 cents per MCF (determined at standard temperature and pressure).

(B) BUS USES.—No tax shall be imposed by this paragraph on any sale for use, or use, described in subpara-

graph (B) or (C) of section 6427(b)(2) (relating to school bus and intracity transportation).

(C) ADMINISTRATIVE PROVISIONS.—For purposes of applying this title with respect to the taxes imposed by this subsection, references to any liquid subject to tax under this subsection shall be treated as including references to compressed natural gas subject to tax under this paragraph, and references to gallons shall be treated as including references to MCF with respect to such gas.

(b) EXEMPTION FOR OFF-HIGHWAY BUSINESS USE; REDUCTION IN TAX FOR QUALIFIED METHANOL AND ETHANOL FUEL.—

(1) EXEMPTION FOR OFF-HIGHWAY BUSINESS USE.—

(A) IN GENERAL.—No tax shall be imposed by subsection (a) or (d)(1) on liquids sold for use or used in an off-highway business use.

(B) TAX WHERE OTHER USE.—If a liquid on which no tax was imposed by reason of subparagraph (A) is used otherwise than in an off-highway business use, a tax shall be imposed by paragraph (1)(B), (2)(B), or (3)(A)(ii) of subsection (a) (whichever is appropriate) and by the corresponding provision of subsection (d)(1) (if any).

(C) OFF-HIGHWAY BUSINESS USE DEFINED.—For purposes of this subsection, the term “off-highway business use” has the meaning given to such term by section 6421(e)(2); except that such term shall not, for purposes of subsection (a)(1), include use in a diesel-powered train.

(2) QUALIFIED METHANOL AND ETHANOL FUEL.—

(A) IN GENERAL.—In the case of any qualified methanol or ethanol fuel—

(i) the rate applicable under subsection (a)(2) shall be the applicable blender rate per gallon less than the otherwise applicable rate (6 cents per gallon in the case of a mixture none of the alcohol in which consists of ethanol), and

(ii) subsection (d)(1) shall be applied by substituting “0.05 cent” for “0.1 cent” with respect to the sales and uses to which clause (i) applies.

(B) QUALIFIED METHANOL OR ETHANOL FUEL.—The term “qualified methanol or ethanol fuel” means any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas.

(C) APPLICABLE BLENDER RATE.—For purposes of subparagraph (A)(i), the applicable blender rate is—

(i) except as provided in clause (ii), 5.4 cents, and

(ii) for sales or uses during calendar years 2001 through 2007, $\frac{1}{10}$ of the blender amount applicable under section 40(h)(2) for the calendar year in which the sale or use occurs.

(D) TERMINATION.—On and after October 1, 2007, subparagraph (A) shall not apply.

(c) NONCOMMERCIAL AVIATION.—

(1) TAX ON NONGASOLINE FUELS WHERE NO TAX IMPOSED ON FUEL UNDER SECTION 4091.—There is hereby imposed a tax of

17.5 cents a gallon upon any kerosene and any other liquid (other than any product taxable under section 4081)—

(A) sold by any person to an owner, lessee, or other operator of an aircraft, for use as a fuel in such aircraft in noncommercial aviation; or

(B) used by any person as a fuel in an aircraft in noncommercial aviation, unless there was a taxable sale of such liquid under this section.

No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091.

(2) DEFINITION OF NONCOMMERCIAL AVIATION.—For purposes of this chapter, the term “noncommercial aviation” means any use of an aircraft, other than use in business of transporting persons or property for compensation or hire by air. The term also includes any use of an aircraft in a business described in the preceding sentence, which is properly allocable to any transportation exempt from the taxes imposed by sections 4261 and 4271 by reason of section 4281 or 4282 or by reason of section 4261(h).

(3) TERMINATION.—The rate of the taxes imposed by paragraph (1) shall be 4.3 cents per gallon—

(A) after December 31, 1996, and before the date which is 7 days after the date of the enactment of the Airport and Airway Trust Fund Tax Reinstatement Act of 1997, and

(B) after September 30, 2007.

(d) ADDITIONAL TAXES TO FUND LEAKING UNDERGROUND STORAGE TANK TRUST FUND.—

(1) TAX ON SALES AND USES SUBJECT TO TAX UNDER SUBSECTION (a).—In addition to the taxes imposed by subsection (a), there is hereby imposed a tax of 0.1 cent a gallon on the sale or use of any liquid (other than liquefied petroleum gas and other than liquefied natural gas) if tax is imposed by subsection (a) on such sale or use.

(2) TAX ON DIESEL FUEL USED IN TRAINS.—There is hereby imposed a tax of 0.1 cent a gallon on any liquid (other than a product taxable under section 4081)—

(A) sold by any person to an owner, lessee, or other operator of a diesel-powered train for use as a fuel in such train, or

(B) used by any person as a fuel in a diesel-powered train unless there was a taxable sale of such liquid under subparagraph (A).

No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091.

(3) LIQUIDS USED IN AVIATION.—In addition to the taxes imposed by subsection (c), there is hereby imposed a tax of 0.1 cent a gallon on any liquid (other than any product taxable under section 4081)—

(A) sold by any person to an owner, lessee, or other operator of an aircraft for use as a fuel in such aircraft, or

(B) used by any person as a fuel in an aircraft unless there was a taxable sale of such liquid under subparagraph (A).

No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091.

(4) TERMINATION.—The taxes imposed by this subsection shall not apply during any period during which the Leaking Underground Storage Tank Trust Fund financing rate under section 4081 does not apply.

(e) ADDITIONAL TAX.—If a liquid on which tax was imposed on the sale thereof is taxable at a higher rate under subsection (c)(1) of this section on the use thereof, there is hereby imposed a tax equal to the difference between the tax so imposed and the tax payable at such higher rate.

(f) EXEMPTION FOR FARM USE.—

(1) EXEMPTION.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section on any liquid sold for use or used on a farm for farming purposes.

(2) USE ON A FARM FOR FARMING PURPOSES.—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(3) TERMINATION.—Except with respect to the taxes imposed by subsection (d), paragraph (1) shall not apply on and after October 1, 1995.

(g) OTHER EXEMPTIONS.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section—

(1) on any liquid sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3));

(2) with respect to the sale of any liquid for the exclusive use of any State, any political subdivision of a State, or the District of Columbia, or with respect to the use by any of the foregoing of any liquid as a fuel;

(3) upon the sale of any liquid for export, or for shipment to a possession of the United States, and in due course so exported or shipped; and

(4) with respect to the sale of any liquid to a nonprofit educational organization for its exclusive use, or with respect to the use by a nonprofit educational organization of any liquid as a fuel.

For purposes of paragraph (4), the term “nonprofit educational organization” means an educational organization described in section 170(b)(1)(A)(ii) which is exempt from income tax under section 501(a). The term also includes a school operated as an activity of an organization described in section 501(c)(3) which is exempt from income tax under section 501(a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. Except with respect to the taxes imposed by subsection (d), paragraphs (2) and (4) shall not apply on and after October 1, 1995.

(h) EXEMPTION FOR USE BY CERTAIN AIRCRAFT MUSEUMS.—

(1) EXEMPTION.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this section on any liquid sold for use or used by an aircraft museum in an aircraft or vehicle owned by such museum and used exclusively for purposes set forth in paragraph (2)(C).

(2) DEFINITION OF AIRCRAFT MUSEUM.—For purposes of this subsection, the term “aircraft museum” means an organization—

(A) described in section 501(c)(3) which is exempt from income tax under section 501(a),

(B) operated as a museum under charter by a State or the District of Columbia, and

(C) operated exclusively for the procurement, care, and exhibition of aircraft of the type used for combat or transport in World War II.

(i) REGISTRATION.—If any liquid is sold by any person for use as a fuel in an aircraft, it shall be presumed for purposes of this section that a tax imposed by this section applies to the sale of such liquid unless the purchaser is registered in such manner (and furnishes such information in respect of the use of the liquid) as the Secretary shall by regulations provide.

(j) SALES BY UNITED STATES, ETC.—The taxes imposed by this section shall apply with respect to liquid sold at retail by the United States, or by any agency or instrumentality of the United States, unless sales by such agency or instrumentality are by statute specifically exempted from such taxes.

(k) FUELS CONTAINING ALCOHOL.—

(1) IN GENERAL.—Under regulations prescribed by the Secretary, in the case of the sale or use of any liquid at least 10 percent of which consists of alcohol (as defined in section 4081(c)(3))—

(A) the Highway Trust Fund financing rates under paragraphs (1) and (2) of subsection (a) shall be the comparable rates under sections 4081(c) and 4091(c), as the case may be, and

(B) the rate of the tax imposed by subsection (c)(1) shall be the comparable rate under section 4091(d).

(2) LATER SEPARATION.—If any person separates the liquid fuel from a mixture of the liquid fuel and alcohol to which paragraph (1) applied, such separation shall be treated as a sale of the liquid fuel. Any tax imposed on such sale shall be reduced by the amount (if any) of the tax imposed on the sale of such mixture.

(3) TERMINATION.—Paragraph (1) shall not apply to any sale or use after September 30, 2007.

(l) EXEMPTION FOR CERTAIN USES.—No tax shall be imposed under this section on any liquid sold for use in, or used in, a helicopter or a fixed-wing aircraft for the purposes of providing transportation with respect to which the requirements of subsection (e) or (g) of section 4261 are met.

(m) CERTAIN ALCOHOL FUELS.—

(1) IN GENERAL.—In the case of the sale or use of any partially exempt methanol or ethanol fuel—

(A) the rate of the tax imposed by subsection (a)(2) shall be—

(i) after September 30, 1997, and before October 1, 2005—

(I) in the case of fuel none of the alcohol in which consists of ethanol, 9.15 cents per gallon, and

(II) in any other case, 11.3 cents per gallon, and

(ii) after September 30, 2005—

(I) in the case of fuel none of the alcohol in which consists of ethanol, 2.15 cents per gallon, and

(II) in any other case, 4.3 cents per gallon, and

(B) the rate of the tax imposed by subsection (c)(1) shall be the comparable rate under section 4091(c)(1).

(2) **PARTIALLY EXEMPT METHANOL OR ETHANOL FUEL.**—The term “partially exempt methanol or ethanol fuel” means any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from natural gas.

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Subchapter C—Heavy Trucks and Trailers

Sec. 4051. Imposition of tax on heavy trucks and trailers sold at retail.

Sec. 4052. Definitions and special rules.

Sec. 4053. Exemptions.

SEC. 4051. IMPOSITION OF TAX ON HEAVY TRUCKS AND TRAILERS SOLD AT RETAIL.

(a) **IMPOSITION OF TAX.**—

(1) **IN GENERAL.**—There is hereby imposed on the first retail sale of the following articles (including in each case parts or accessories sold on or in connection therewith or with the sale thereof) a tax of 12 percent of the amount for which the article is so sold:

(A) Automobile truck chassis.

(B) Automobile truck bodies.

(C) Truck trailer and semitrailer chassis.

(D) Truck trailer and semitrailer bodies.

(E) Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

(2) **EXCLUSION FOR TRUCKS WEIGHING 33,000 POUNDS OR LESS.**—The tax imposed by paragraph (1) shall not apply to automobile truck chassis and automobile truck bodies, suitable for use with a vehicle which has a gross vehicle weight of 33,000 pounds or less (as determined under regulations prescribed by the Secretary).

(3) **EXCLUSION FOR TRAILERS WEIGHING 26,000 POUNDS OR LESS.**—The tax imposed by paragraph (1) shall not apply to truck trailer and semitrailer chassis and bodies, suitable for use with a trailer or semitrailer which has a gross vehicle

weight of 26,000 pounds or less (as determined under regulations prescribed by the Secretary).

(4) SALE OF TRUCKS, ETC., TREATED AS SALE OF CHASSIS AND BODY.—For purposes of this subsection, a sale of an automobile truck or truck trailer or semitrailer shall be considered to be a sale of a chassis and of a body described in paragraph (1).

(b) SEPARATE PURCHASE OF TRUCK OR TRAILER AND PARTS AND ACCESSORIES THEREFOR.—Under regulations prescribed by the Secretary—

(1) IN GENERAL.—If—

(A) the owner, lessee, or operator of any vehicle which contains an article taxable under subsection (a) installs (or causes to be installed) any part or accessory on such vehicle, and

(B) such installation is not later than the date 6 months after the date such vehicle (as it contains such article) was first placed in service,

then there is hereby imposed on such installation a tax equal to 12 percent of the price of such part or accessory and its installation.

(2) EXCEPTIONS.—Paragraph (1) shall not apply if—

(A) the part or accessory installed is a replacement part or accessory, or

(B) the aggregate price of the parts and accessories (and their installation) described in paragraph (1) with respect to any vehicle does not exceed \$1,000 (or such other amount or amounts as the Secretary may by regulations prescribe).

(3) INSTALLERS SECONDARILY LIABLE FOR TAX.—The owners of the trade or business installing the parts or accessories shall be secondarily liable for the tax imposed by paragraph (1).

(c) TERMINATION.—On and after October 1, 2005, the taxes imposed by this section shall not apply.

(d) CREDIT AGAINST TAX FOR TIRE TAX.—If—

(1) tires are sold on or in connection with the sale of any article, and

(2) tax is imposed by this subchapter on the sale of such tires,

there shall be allowed as a credit against the tax imposed by this subchapter an amount equal to the tax (if any) imposed by section 4071 on such tires.

SEC. 4052. DEFINITIONS AND SPECIAL RULES.

(a) FIRST RETAIL SALE.—For purposes of this subchapter—

(1) IN GENERAL.—The term “first retail sale” means the first sale, for a purpose other than for resale or leasing in a long-term lease, after production, manufacture, or importation.

(2) LEASES CONSIDERED AS SALES.—Rules similar to the rules of section 4217 shall apply.

(3) USE TREATED AS SALE.—

(A) IN GENERAL.—If any person uses an article taxable under section 4051 before the first retail sale of such article, then such person shall be liable for tax under section

4051 in the same manner as if such article were sold at retail by him.

(B) EXEMPTION FOR USE IN FURTHER MANUFACTURE.—Subparagraph (A) shall not apply to use of an article as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by him.

(C) COMPUTATION OF TAX.—In the case of any person made liable for tax by subparagraph (A), the tax shall be computed on the price at which similar articles are sold at retail in the ordinary course of trade, as determined by the Secretary.

(b) DETERMINATION OF PRICE.—

(1) IN GENERAL.—In determining price for purposes of this subchapter—

(A) there shall be included any charge incident to placing the article in condition ready for use,

(B) there shall be excluded—

(i) the amount of the tax imposed by this subchapter,

(ii) if stated as a separate charge, the amount of any retail sales tax imposed by any State or political subdivision thereof or the District of Columbia, whether the liability for such tax is imposed on the vendor or vendee, and

(iii) the value of any component of such article if—

(I) such component is furnished by the first user of such article, and

(II) such component has been used before such furnishing, and

(C) the price shall be determined without regard to any trade-in.

(2) SALES NOT AT ARM'S LENGTH.—In the case of any article sold (otherwise than through an arm's-length transaction) at less than the fair market price, the tax under this subchapter shall be computed on the price for which similar articles are sold at retail in the ordinary course of trade, as determined by the Secretary.

(3) LONG-TERM LEASE.—

(A) IN GENERAL.—In the case of any long-term lease of an article which is treated as the first retail sale of such article, the tax under this subchapter shall be computed on a price equal to—

(i) the sum of—

(I) the price (determined under this subchapter but without regard to paragraph (4)) at which such article was sold to the lessor, and

(II) the cost of any parts and accessories installed by the lessor on such article before the first use by the lessee or leased in connection with such long-term lease, plus

(ii) an amount equal to the presumed markup percentage of the sum described in clause (i).

(B) PRESUMED MARKUP PERCENTAGE.—For purposes of subparagraph (A), the term “presumed markup percentage” means the average markup percentage of retailers of articles of the type involved, as determined by the Secretary.

(C) EXCEPTIONS UNDER REGULATIONS.—To the extent provided in regulations prescribed by the Secretary, subparagraph (A) shall not apply to specified types of leases where its application is not necessary to carry out the purposes of this subsection.

(4) SPECIAL RULE WHERE TAX PAID BY MANUFACTURER, PRODUCER, OR IMPORTER.—

(A) IN GENERAL.—In any case where the manufacturer, producer, or importer of any article (or a related person) is liable for tax imposed by this subchapter with respect to such article, the tax under this subchapter shall be computed on a price equal to the sum of—

(i) the price which would (but for this paragraph) be determined under this subchapter, plus

(ii) the product of the price referred to in clause (i) and the presumed markup percentage determined under paragraph (3)(B).

(B) RELATED PERSON.—For purposes of this paragraph—

(i) IN GENERAL.—Except as provided in clause (ii), the term “related person” means any person who is a member of the same controlled group (within the meaning of section 5061(e)(3)) as the manufacturer, producer, or importer.

(ii) EXCEPTION FOR RETAIL ESTABLISHMENT.—To the extent provided in regulations prescribed by the Secretary, a person shall not be treated as a related person with respect to the sale of any article if such article is sold through a permanent retail establishment in the normal course of the trade or business of being a retailer.

(c) CERTAIN COMBINATIONS NOT TREATED AS MANUFACTURE.—

(1) IN GENERAL.—For purposes of this subchapter (other than subsection (a)(3)(B)), a person shall not be treated as engaged in the manufacture of any article by reason of merely combining such article with any item listed in paragraph (2).

(2) ITEMS.—The items listed in this paragraph are any coupling device (including any fifth wheel), wrecker crane, loading and unloading equipment (including any crane, hoist, winch, or power liftgate), aerial ladder or tower, snow and ice control equipment, earthmoving, excavation and construction equipment, spreader, sleeper cab, cab shield, or wood or metal floor.

(d) CERTAIN OTHER RULES MADE APPLICABLE.—Under regulations prescribed by the Secretary, rules similar to the rules of subsections (c) and (d) of section 4216 (relating to partial payments) shall apply for purposes of this subchapter.

(e) LONG-TERM LEASE.—For purposes of this section, the term “long-term lease” means any lease with a term of 1 year or more.

In determining a lease term for purposes of the preceding sentence, the rules of section 168(i)(3)(A) shall apply.

(f) CERTAIN REPAIRS AND MODIFICATIONS NOT TREATED AS MANUFACTURE.—

(1) IN GENERAL.—An article described in section 4051(a)(1) shall not be treated as manufactured or produced solely by reason of repairs or modifications to the article (including any modification which changes the transportation function of the article or restores a wrecked article to a functional condition) if the cost of such repairs and modifications does not exceed 75 percent of the retail price of a comparable new article.

(2) EXCEPTION.—Paragraph (1) shall not apply if the article (as repaired or modified) would, if new, be taxable under section 4051 and the article when new was not taxable under such section or the corresponding provision of prior law.

(g) REGULATIONS.—The Secretary shall prescribe regulations which permit, in lieu of any other certification, persons who are purchasing articles taxable under this subchapter for resale or leasing in a long-term lease to execute a statement (made under penalties of perjury) on the sale invoice that such sale is for resale. The Secretary shall not impose any registration requirement as a condition of using such procedure.

SEC. 4053. EXEMPTIONS.

No tax shall be imposed by section 4051 on any of the following articles:

(1) CAMPER COACHES BODIES FOR SELF-PROPELLED MOBILE HOMES.—Any article designed—

(A) to be mounted or placed on automobile trucks, automobile truck chassis, or automobile chassis, and

(B) to be used primarily as living quarters or camping accommodations.

(2) FEED, SEED, AND FERTILIZER EQUIPMENT.—Any body primarily designed—

(A) to process or prepare seed, feed, or fertilizer for use on farms,

(B) to haul feed, seed, or fertilizer to and on farms,

(C) to spread feed, seed, or fertilizer on farms,

(D) to load or unload feed, seed, or fertilizer on farms,

or

(E) for any combination of the foregoing.

(3) HOUSE TRAILERS.—Any house trailer.

(4) AMBULANCES, HEARSE, ETC.—Any ambulance, hearse, or combination ambulance-hearse.

(5) CONCRETE MIXERS.—Any article designed—

(A) to be placed or mounted on an automobile truck chassis or truck trailer or semitrailer chassis, and

(B) to be used to process or prepare concrete.

(6) TRASH CONTAINERS, ETC.—Any box, container, receptacle, bin or other similar article—

(A) which is designed to be used as a trash container and is not designed for the transportation of freight other than trash, and

(B) which is not designed to be permanently mounted on or permanently affixed to an automobile truck chassis or body.

(7) RAIL TRAILERS AND RAIL VANS.—Any chassis or body of a trailer or semitrailer which is designed for use both as a highway vehicle and a railroad car. For purposes of the preceding sentence, piggy-back trailer or semitrailer shall not be treated as designed for use as a railroad car.

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CHAPTER 32—MANUFACTURERS EXCISE TAXES

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PART II—TIRES

Sec. 4071. Imposition of tax.

Sec. 4072. Definitions.

Sec. 4073. Exemption for tires with internal wire fastening.

SEC. 4071. IMPOSITION OF TAX.

(a) IMPOSITION AND RATE OF TAX.—There is hereby imposed on tires of the type used on highway vehicles, if wholly or in part made of rubber, sold by the manufacturer, producer, or importer a tax at the following rates:

If the tire weighs:	The rate of tax is:
Not more than 40 lbs.	No tax.
More than 40 lbs. but not more than 70 lbs.	15 cents per lb. in excess of 40 lbs.
More than 70 lbs. but not more than 90 lbs.	\$4.50 plus 30 cents per lb. in excess of 70 lbs.
More than 90 lbs.	\$10.50 plus 50 cents per lb. in excess of 90 lbs.

(b) SPECIAL RULE FOR MANUFACTURERS WHO SELL AT RETAIL.—Under regulations prescribed by the Secretary, if the manufacturer, producer, or importer of any tire delivers such tire to a retail store or retail outlet of such manufacturer, producer, or importer, he shall be liable for tax under subsection (a) in respect of such tire in the same manner as if it had been sold at the time it was delivered to such retail store or outlet. This subsection shall not apply to an article in respect to which tax has been imposed by subsection (a). Subsection (a) shall not apply to an article in respect of which tax has been imposed by this subsection.

(c) DETERMINATION OF WEIGHT.—For purposes of this section, weight shall be based on total weight exclusive of metal rims or rim bases. Total weight of the articles shall be determined under regulations prescribed by the Secretary.

(d) TERMINATION.—On and after October 1, 2005, the taxes imposed by subsection (a) shall not apply.

(e) TIRES ON IMPORTED ARTICLES.—For the purposes of subsection (a), if an article imported into the United States is equipped with tires —

(1) the importer of the article shall be treated as the importer of the tires with which such article is equipped, and

(2) the sale of the article by the importer thereof shall be treated as the sale of the tires with which such article is equipped.

This subsection shall not apply with respect to the sale of an automobile bus chassis or an automobile bus body.

SEC. 4072. DEFINITIONS.

(a) RUBBER.—For purposes of this chapter, the term “rubber” includes synthetic and substitute rubber.

(b) TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—For purposes of this part, the term “tires of the type used on highway vehicles” means tires of the type used on—

- (1) motor vehicles which are highway vehicles, or
- (2) vehicles of the type used in connection with motor vehicles which are highway vehicles.

SEC. 4073. EXEMPTION FOR TIRES WITH INTERNAL WIRE FASTENING.

The tax imposed by section 4071 shall not apply to tires of extruded tiring with an internal wire fastening agent.

PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.

Subpart B. Diesel fuel and aviation fuel.

Subpart C. Special provisions applicable to petroleum products.

Subpart A—Gasoline and Diesel Fuel

Sec. 4081. Imposition of tax.

Sec. 4082. Exemptions for diesel fuel and kerosene.

Sec. 4083. Definitions; special rule; administrative authority.

Sec. 4084. Cross references.

SEC. 4081. IMPOSITION OF TAX.

(a) TAX IMPOSED.—

(1) TAX ON REMOVAL, ENTRY, OR SALE.—

(A) IN GENERAL.—There is hereby imposed a tax at the rate specified in paragraph (2) on—

- (i) the removal of a taxable fuel from any refinery,
- (ii) the removal of a taxable fuel from any terminal,

(iii) the entry into the United States of any taxable fuel for consumption, use, or warehousing, and

(iv) the sale of a taxable fuel to any person who is not registered under section 4101 unless there was a prior taxable removal or entry of such fuel under clause (i), (ii), or (iii).

(B) EXEMPTION FOR BULK TRANSFERS TO REGISTERED TERMINALS OR REFINERIES.—The tax imposed by this paragraph shall not apply to any removal or entry of a taxable fuel transferred in bulk to a terminal or refinery if the person removing or entering the taxable fuel and the operator of such terminal or refinery are registered under section 4101.

(2) RATES OF TAX.—

(A) IN GENERAL.—The rate of the tax imposed by this section is—

- (i) in the case of gasoline other than aviation gasoline, 18.3 cents per gallon,
- (ii) in the case of aviation gasoline, 19.3 cents per gallon, and
- (iii) in the case of diesel fuel or kerosene, 24.3 cents per gallon.

(B) LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAX.—The rates of tax specified in subparagraph (A) shall each be increased by 0.1 cent per gallon. The increase in tax under this subparagraph shall in this title be referred to as the Leaking Underground Storage Tank Trust Fund financing rate.

(b) TREATMENT OF REMOVAL OR SUBSEQUENT SALE BY BLENDER.—

(1) IN GENERAL.—There is hereby imposed a tax at the rate determined under subsection (a) on taxable fuel removed or sold by the blender thereof.

(2) CREDIT FOR TAX PREVIOUSLY PAID.—If—

(A) tax is imposed on the removal or sale of a taxable fuel by reason of paragraph (1), and

(B) the blender establishes the amount of the tax paid with respect to such fuel by reason of subsection (a), the amount of the tax so paid shall be allowed as a credit against the tax imposed by reason of paragraph (1).

(c) TAXABLE FUELS MIXED WITH ALCOHOL.—Under regulations prescribed by the Secretary—

(1) IN GENERAL.—The rate of tax under subsection (a) shall be the alcohol mixture rate in the case of the removal or entry of any qualified alcohol mixture.

(2) TAX PRIOR TO MIXING.—

(A) IN GENERAL.—In the case of the removal or entry of any taxable fuel for use in producing at the time of such removal or entry a qualified alcohol mixture, the rate of tax under subsection (a) shall be the applicable fraction of the alcohol mixture rate. Subject to such terms and conditions as the Secretary may prescribe (including the application of section 4101), the treatment under the preceding sentence also shall apply to use in producing a qualified alcohol mixture after the time of such removal or entry.

(B) APPLICABLE FRACTION.—For purposes of subparagraph (A), the applicable fraction is—

(i) in the case of a qualified alcohol mixture which contains gasoline, the fraction the numerator of which is 10 and the denominator of which is—

(I) 9 in the case of 10 percent gasohol,

(II) 9.23 in the case of 7.7 percent gasohol,

and

(III) 9.43 in the case of 5.7 percent gasohol,

and

(ii) in the case of a qualified alcohol mixture which does not contain gasoline, ¹⁰/₉.

(3) ALCOHOL; QUALIFIED ALCOHOL MIXTURE.—For purposes of this subsection—

(A) ALCOHOL.—The term “alcohol” includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal (including peat). Such term does not include alcohol with a proof of less than 190 (determined without regard to any added denaturants).

(B) QUALIFIED ALCOHOL MIXTURE.—The term “qualified alcohol mixture” means—

(i) any mixture of gasoline with alcohol if at least 5.7 percent of such mixture is alcohol, and

(ii) any mixture of diesel fuel with alcohol if at least 10 percent of such mixture is alcohol.

(4) ALCOHOL MIXTURE RATES FOR GASOLINE MIXTURES.—For purposes of this subsection—

(A) GENERAL RULES.—

(i) MIXTURES CONTAINING ETHANOL.—Except as provided in clause (ii), in the case of a qualified alcohol mixture which contains gasoline, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

(I) in the case of 10 percent gasohol, the applicable blender rate (as defined in section 4041(b)(2)(C)) per gallon,

(II) in the case of 7.7 percent gasohol, the number of cents per gallon equal to 77 percent of such applicable blender rate, and

(III) in the case of 5.7 percent gasohol, the number of cents per gallon equal to 57 percent of such applicable blender rate.

(ii) MIXTURES NOT CONTAINING ETHANOL.—In the case of a qualified alcohol mixture which contains gasoline and none of the alcohol in which consists of ethanol, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

(I) in the case of 10 percent gasohol, 6 cents per gallon,

(II) in the case of 7.7 percent gasohol, 4.62 cents per gallon, and

(III) in the case of 5.7 percent gasohol, 3.42 cents per gallon.¹²²

(5) ALCOHOL MIXTURE RATE FOR DIESEL FUEL MIXTURES.—The alcohol mixture rate for a qualified alcohol mixture which does not contain gasoline is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over the applicable blender rate (as defined in section 4041(b)(2)(C)) per gallon (6 cents per gallon in the case of a qualified alcohol mixture none of the alcohol in which consists of ethanol).

(6) LIMITATION.—In no event shall any alcohol mixture rate determined under this subsection be less than 4.3 cents per gallon.

(7) LATER SEPARATION OF FUEL FROM QUALIFIED ALCOHOL MIXTURE.—If any person separates the taxable fuel from a

qualified alcohol mixture on which tax was imposed under subsection (a) at a rate determined under paragraph (1) or (2) (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the refiner of such taxable fuel. The amount of tax imposed on any removal of such fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior removal or entry of such fuel.

(8) **TERMINATION.**—Paragraphs (1) and (2) shall not apply to any removal, entry, or sale after September 30, 2007.

(d) **TERMINATION.**—

(1) **IN GENERAL.**—On and after October 1, 2005, the rates of tax specified in clauses (i) and (iii) of subsection (a)(2)(A) (other than the tax on aviation gasoline) shall be 4.3 cents per gallon.

(2) **AVIATION GASOLINE.**—The rate of tax specified in subsection (a)(2)(A)(ii) shall be 4.3 cents per gallon—

(A) after December 31, 1996, and before the date which is 7 days after the date of the enactment of the Airport and Airway Trust Fund Tax Reinstatement Act of 1997, and

(B) after September 30, 2007.

(3) **LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.**—The Leaking Underground Storage Tank Trust Fund financing rate under subsection (a)(2) shall apply after September 30, 1997, and before April 1, 2005.

(3)¹ **AVIATION GASOLINE.**—After December 31, 1996, the rate of tax specified in subsection (a)(2)(A)(i) on aviation gasoline shall be 4.3 cents per gallon.

(e) **REFUNDS IN CERTAIN CASES.**—Under regulations prescribed by the Secretary, if any person who paid the tax imposed by this section with respect to any taxable fuel establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) with respect to such taxable fuel, then an amount equal to the tax paid by such person shall be allowed as a refund (without interest) to such person in the same manner as if it were an overpayment of tax imposed by this section.

SEC. 4082. EXEMPTIONS FOR DIESEL FUEL AND KEROSENE.

(a) **IN GENERAL.**—The tax imposed by section 4081 shall not apply to diesel fuel and kerosene—

(1) which the Secretary determines is destined for a nontaxable use,

(2) which is indelibly dyed in accordance with regulations which the Secretary shall prescribe, and

(3) which meets such marking requirements (if any) as may be prescribed by the Secretary in regulations.

Such regulations shall allow an individual choice of dye color approved by the Secretary or chosen from any list of approved dye colors that the Secretary may publish.

(b) **NONTAXABLE USE.**—For purposes of this section, the term “nontaxable use” means—

¹ So in law (Pub. Law 104–188; 109 Stat. 1844). Probably should be redesignated as “paragraph (4)”.

(1) any use which is exempt from the tax imposed by section 4041(a)(1) other than by reason of a prior imposition of tax,

(2) any use in a train, and

(3) any use described in section 6427(b)(1) (after the application of section 6427(b)(3)).

(c) EXCEPTION TO DYEING REQUIREMENTS.—Paragraph (2) of subsection (a) shall not apply with respect to any diesel fuel and kerosene—

(1) removed, entered, or sold in a State for ultimate sale or use in an area of such State during the period such area is exempted from the fuel dyeing requirements under subsection (i) of section 211 of the Clean Air Act (as in effect on the date of the enactment of this subsection) by the Administrator of the Environmental Protection Agency under paragraph (4) of such subsection (i) (as so in effect), and

(2) the use of which is certified pursuant to regulations issued by the Secretary.

(d) ADDITIONAL EXCEPTIONS TO DYEING REQUIREMENTS FOR KEROSENE.—

(1) AVIATION-GRADE KEROSENE.—Subsection (a)(2) shall not apply to aviation-grade kerosene (as determined under regulations prescribed by the Secretary) which the Secretary determines is destined for use as a fuel in an aircraft.

(2) USE FOR NON-FUEL FEEDSTOCK PURPOSES.—Subsection (a)(2) shall not apply to kerosene—

(A) received by pipeline or vessel for use by the person receiving the kerosene in the manufacture or production of any substance (other than gasoline, diesel fuel, or special fuels referred to in section 4041), or

(B) to the extent provided in regulations, removed or entered—

(i) for such a use by the person removing or entering the kerosene, or

(ii) for resale by such person for such a use by the purchaser,

but only if the person receiving, removing, or entering the kerosene and such purchaser (if any) are registered under section 4101 with respect to the tax imposed by section 4081.

(3) WHOLESALE DISTRIBUTORS.—To the extent provided in regulations, subsection (a)(2) shall not apply to kerosene received by a wholesale distributor of kerosene if such distributor—

(A) is registered under section 4101 with respect to the tax imposed by section 4081 on kerosene, and

(B) sells kerosene exclusively to ultimate vendors described in section 6427(l)(5)(B) with respect to kerosene.

(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out this section, including regulations requiring the conspicuous labeling of retail diesel fuel and kerosene pumps and other delivery facilities to assure that persons are aware of which fuel is available only for nontaxable uses.

(f) CROSS REFERENCE.—

For tax on train and certain bus uses of fuel purchased tax-free, see section 4041(a)(1).

SEC. 4083. DEFINITIONS; SPECIAL RULE; ADMINISTRATIVE AUTHORITY.

(a) TAXABLE FUEL.—For purposes of this subpart—

(1) IN GENERAL.—The term “taxable fuel” means—

- (A) gasoline,
- (B) diesel fuel, and
- (C) kerosene.

(2) GASOLINE.—The term “gasoline” includes, to the extent prescribed in regulations—

- (A) gasoline blend stocks, and
- (B) products commonly used as additives in gasoline.

For purposes of subparagraph (A), the term “gasoline blend stock” means any petroleum product component of gasoline.

(3) DIESEL FUEL.—The term “diesel fuel” means any liquid (other than gasoline) which is suitable for use as a fuel in a diesel-powered highway vehicle or a diesel-powered train.

(b) CERTAIN USES DEFINED AS REMOVAL.—If any person uses taxable fuel (other than in the production of taxable fuels or special fuels referred to in section 4041), such use shall for the purposes of this chapter be considered a removal.

(c) ADMINISTRATIVE AUTHORITY.—

(1) IN GENERAL.—In addition to the authority otherwise granted by this title, the Secretary may in administering compliance with this subpart, section 4041, and penalties and other administrative provisions related thereto—

(A) enter any place at which taxable fuel is produced or is stored (or may be stored) for purposes of—

- (i) examining the equipment used to determine the amount or composition of such fuel and the equipment used to store such fuel, and
- (ii) taking and removing samples of such fuel, and
- (B) detain, for the purposes referred in subparagraph (A), any container which contains or may contain any taxable fuel.

(2) INSPECTION SITES.—The Secretary may establish inspection sites for purposes of carrying out the Secretary’s authority under paragraph (1)(B).

(3) PENALTY FOR REFUSAL OF ENTRY.—The penalty provided by section 7342 shall apply to any refusal to admit entry or other refusal to permit an action by the Secretary authorized by paragraph (1), except that section 7342 shall be applied by substituting “\$1,000” for “\$500” for each such refusal.

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Subpart B—Diesel Fuel and Aviation Fuel

Sec. 4091. Imposition of tax.

Sec. 4092. Exemptions.

Sec. 4093. Definitions.

SEC. 4091. IMPOSITION OF TAX.

(a) TAX ON SALE.—

(1) IN GENERAL.—There is hereby imposed a tax on the sale of aviation fuel by the producer or the importer thereof or by any producer of aviation fuel.

(2) USE TREATED AS SALE.—For purposes of paragraph (1), if any producer uses aviation fuel (other than for a nontaxable use as defined in section 6427(1)(2)(B)) on which no tax has been imposed under such paragraph or on which tax has been credited or refunded, then such use shall be considered a sale.

(b) RATE OF TAX.—

(1) IN GENERAL.—The rate of the tax imposed by subsection (a) shall be 21.8 cents per gallon.

(2) LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAX.—The rate of tax specified in paragraph (1) shall be increased by 0.1 cent per gallon. The increase in tax under this paragraph shall in this title be referred to as the Leaking Underground Storage Tank Trust Fund financing rate.

(3) TERMINATION.—

(A) The rate of tax specified in paragraph (1) shall be 4.3 cents per gallon—

(i) after December 31, 1996, and before the date which is 7 days after the date of the enactment of the Airport and Airway Trust Fund Tax Reinstatement Act of 1997, and

(ii) after September 30, 2007.

(B) The Leaking Underground Storage Tank Fund financing rate shall not apply during any period during which the Leaking Underground Storage Tank Trust Fund financing rate under section 4081 does not apply.

(c) REDUCED RATE OF TAX FOR AVIATION FUEL IN ALCOHOL MIXTURE, ETC.—Under regulations prescribed by the Secretary—

(1) IN GENERAL.—The rate of tax under subsection (a) shall be reduced by the applicable blender amount per gallon in the case of the sale of any mixture of aviation fuel if—

(A) at least 10 percent of such mixture consists of alcohol (as defined in section 4081(c)(3)), and

(B) the aviation fuel in such mixture was not taxed under paragraph (2).

In the case of such a mixture none of the alcohol in which is ethanol, the preceding sentence shall be applied by substituting “14 cents” for “the applicable blender amount”. For purposes of this paragraph, the term “applicable blender amount” means 13.3 cents in the case of any sale or use during 2001 or 2002, 13.2 cents in the case of any sale or use during 2003 or 2004, 13.1 cents in the case of any sale or use during 2005, 2006, or 2007, and 13.4 cents in the case of any sale or use during 2008 or thereafter.

(2) TAX PRIOR TO MIXING.—In the case of the sale of aviation fuel for use (at the time of such sale) in producing a mixture described in paragraph (1), the rate of tax under subsection (a) shall be $\frac{1}{9}$ of the rate which would (but for this paragraph) have been applicable to such mixture had such mixture been created prior to such sale.

(3) LATER SEPARATION.—If any person separates the aviation fuel from a mixture of the aviation fuel and alcohol on

which tax was imposed under subsection (a) at a rate determined under paragraph (1) or (2) (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the producer of such aviation fuel. The amount of tax imposed on any sale of such aviation fuel by such person shall be reduced by the amount of tax imposed (and not credited or refunded) on any prior sale of such fuel.

(4) LIMITATION.—In no event shall any rate determined under paragraph (1) be less than 4.3 cents per gallon.

(5) TERMINATION.—Paragraphs (1) and (2) shall not apply to any sale after September 30, 2007.

(d) REFUND OF TAX-PAID AVIATION FUEL TO REGISTERED PRODUCER OF FUEL.—If—

(1) a producer of aviation fuel is registered under section 4101, and

(2) such producer establishes to the satisfaction of the Secretary that a prior tax was paid (and not credited or refunded) on aviation fuel held by such producer,

then an amount equal to the tax so paid shall be allowed as a refund (without interest) to such producer in the same manner as if it were an overpayment of tax imposed by this section.

SEC. 4092. EXEMPTIONS.

(a) NONTAXABLE USES.—No tax shall be imposed by section 4091 on aviation fuel sold by a producer or importer for use by the purchaser in a nontaxable use (as defined in section 6427(l)(2)(B)).

(b) NO EXEMPTION FROM CERTAIN TAXES ON FUEL USED IN COMMERCIAL AVIATION.—In the case of fuel sold for use in commercial aviation (other than supplies for vessels or aircraft within the meaning of section 4221(d)(3)), subsection (a) shall not apply to so much of the tax imposed by section 4091 as is attributable to—

(1) the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section, and

(2) in the case of fuel sold after September 30, 1995, 4.3 cents per gallon of the rate specified in section 4091(b)(1).

For purposes of the preceding sentence, the term “commercial aviation” means any use of an aircraft other than in noncommercial aviation (as defined in section 4041(c)(2)).

(c) SALES TO PRODUCER.—Under regulations prescribed by the Secretary, the tax imposed by section 4091 shall not apply to aviation fuel sold to a producer of such fuel.

SEC. 4093. DEFINITIONS.

(a) AVIATION FUEL.—For purposes of this subpart, the term “aviation fuel” means kerosene and any other liquid (other than any product taxable under section 4081) which is suitable for use as a fuel in an aircraft.

(b) PRODUCER.—For purposes of this subpart—

(1) CERTAIN PERSONS TREATED AS PRODUCERS.—

(A) IN GENERAL.—The term “producer” includes any person described in subparagraph (B) and registered under section 4101 with respect to the tax imposed by section 4091.

(B) PERSONS DESCRIBED.—A person is described in this subparagraph if such person is—

- (i) a refiner, blender, or wholesale distributor of aviation fuel, or
- (ii) a dealer selling aviation fuel exclusively to producers of aviation fuel.

(C) REDUCED RATE PURCHASERS TREATED AS PRODUCERS.—Any person to whom aviation fuel is sold at a reduced rate under this subpart shall be treated as the producer of such fuel.

(2) WHOLESALE DISTRIBUTOR.—For purposes of paragraph (1), the term “wholesale distributor” includes any person who sells aviation fuel to producers, retailers, or to users who purchase in bulk quantities and accept delivery into bulk storage tanks. Such term does not include any person who (excluding the term “wholesale distributor” from paragraph (1)) is a producer or importer.

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CHAPTER 36—CERTAIN OTHER EXCISE TAXES

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Subchapter D—Tax on Use of Certain Vehicles

- Sec. 4481. Imposition of tax.
- Sec. 4482. Definitions.
- Sec. 4483. Exemptions.
- Sec. 4484. Cross references.

SEC. 4481. IMPOSITION OF TAX.

(a) IMPOSITION OF TAX.—A tax is hereby imposed on the use of any highway motor vehicle which (together with the semitrailers and trailers customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of at least 55,000 pounds at the rate specified in the following table:

Taxable gross weight:	Rate of tax:
At least 55,000 pounds, but not over 75,000 pounds.	\$100 per year plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds.
Over 75,000 pounds	\$550.

(b) BY WHOM PAID.—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State or contiguous foreign country in which such vehicle is, or is required to be, registered, or, in case the highway motor vehicle is owned by the United States, by the agency or instrumentality of the United States operating such vehicle.

(c) PRORATION OF TAX.—

(1) WHERE FIRST USE OCCURS AFTER FIRST MONTH.—If in any taxable period the first use of the highway motor vehicle is after the first month in such period, the tax shall be reckoned proportionately from the first day of the month in which

such use occurs to and including the last day in such taxable period.

(2) WHERE VEHICLE DESTROYED OR STOLEN.—

(A) IN GENERAL.—If in any taxable period a highway motor vehicle is destroyed or stolen before the first day of the last month in such period and not subsequently used during such taxable period, the tax shall be reckoned proportionately from the first day of the month in such period in which the first use of such highway motor vehicle occurs to and including the last day of the month in which such highway motor vehicle was destroyed or stolen.

(B) DESTROYED.—For purposes of subparagraph (A), a highway motor vehicle is destroyed if such vehicle is damaged by reason of an accident or other casualty to such an extent that it is not economic to rebuild.

(d) ONE TAX LIABILITY PER PERIOD.—

(1) IN GENERAL.—To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.

(2) CROSS REFERENCE.—

For privilege of paying tax imposed by this section in installments, see section 6156.

(e) PERIOD TAX IN EFFECT.—The tax imposed by this section shall apply only to use before October 1, 2005.

SEC. 4482. DEFINITIONS.

(a) HIGHWAY MOTOR VEHICLE.—For purposes of this subchapter, the term “highway motor vehicle” means any motor vehicle which is a highway vehicle.

(b) TAXABLE GROSS WEIGHT.—For purposes of this subchapter, the term “taxable gross weight” when used with respect to any highway motor vehicle, means the sum of—

(1) the actual unloaded weight of—

(A) such highway motor vehicle fully equipped for service, and

(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle, and

(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1)(B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

(c) OTHER DEFINITIONS AND SPECIAL RULE.—For purposes of this subchapter—

(1) STATE.—The term “State” means a State and the District of Columbia.

(2) YEAR.—The term “year” means the one—year period beginning on July 1.

(3) USE.—The term “use” means use in the United States on the public highways.

(4) TAXABLE PERIOD.—The term “taxable period” means any year beginning before July 1, 1999, and the period which begins on July 1, 1999, and ends at the close of September 30, 2005.

(5) CUSTOMARY USE.—A semitrailer or trailer shall be treated as customarily used in connection with a highway motor vehicle if such vehicle is equipped to tow such semitrailer or trailer.

(d) SPECIAL RULE FOR TAXABLE PERIOD IN WHICH TERMINATION DATE OCCURS.—In the case of the taxable period which ends on September 30, 2005, the amount of the tax imposed by section 4481 with respect to any highway motor vehicle shall be determined by reducing each dollar amount in the table contained in section 4481(a) by 75 percent.

SEC. 4483. EXEMPTIONS.

(a) STATE AND LOCAL GOVERNMENTAL EXEMPTION.—Under regulations prescribed by the Secretary, no tax shall be imposed by section 4481 on the use of any highway motor vehicle by any State or any political subdivision of a State.

(b) EXEMPTION FOR UNITED STATES.—The Secretary of the Treasury may authorize exemption from the tax imposed by section 4481 as to the use by the United States of any particular highway motor vehicle, or class of highway motor vehicles, if he determines that the imposition of such tax with respect to such use will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption, if granted, will accrue to the United States.

(c) CERTAIN TRANSIT-TYPE BUSES.—Under regulations prescribed by the Secretary, no tax shall be imposed by section 4481 on the use of any bus which is of the transit type (rather than of the intercity type) by a person who, for the last 3 months of the preceding year (or for such other period as the Secretary may by regulations prescribe for purposes of this subsection), met the 60-percent passenger fare revenue test set forth in section 6421(b)(2) (as in effect on the day before the date of the enactment of the Energy Tax Act of 1978) as applied to the period prescribed for purposes of this subsection.

(d) EXEMPTION FOR TRUCKS USED FOR LESS THAN 5,000 MILES ON PUBLIC HIGHWAYS.—

(1) SUSPENSION OF TAX.—

(A) IN GENERAL.—If—

(i) it is reasonable to expect that the use of any highway motor vehicle on public highways during any taxable period will be less than 5,000 miles, and

(ii) the owner of such vehicle furnishes such information as the Secretary may by forms or regulations require with respect to the expected use of such vehicle,

then the collection of the tax imposed by section 4481 with respect to the use of such vehicle shall be suspended during the taxable period.

(B) SUSPENSION CEASES TO APPLY WHERE USE EXCEEDS 5,000 MILES.—Subparagraph (A) shall cease to apply with respect to any highway motor vehicle whenever the use of such vehicle on public highways during the taxable period exceeds 5,000 miles.

(2) EXEMPTION.—If—

(A) the collection of the tax imposed by section 4481 with respect to any highway motor vehicle is suspended under paragraph (1),

(B) such vehicle is not used during the taxable period on public highways for more than 5,000 miles, and

(C) except as otherwise provided in regulations, the owner of such vehicle furnishes such information as the Secretary may require with respect to the use of such vehicle during the taxable period,

then no tax shall be imposed by section 4481 on the use of such vehicle for the taxable period.

(3) REFUND WHERE TAX PAID AND VEHICLE NOT USED FOR MORE THAN 5,000 MILES.—If—

(A) the tax imposed by section 4481 is paid with respect to any highway motor vehicle for any taxable period, and

(B) the requirements of subparagraphs (B) and (C) of paragraph (2) are met with respect to such taxable period, the amount of such tax shall be credited or refunded (without interest) to the person who paid such tax.

(4) RELIEF FROM LIABILITY FOR TAX UNDER CERTAIN CIRCUMSTANCES WHERE TRUCK IS TRANSFERRED.—Under regulations prescribed by the Secretary, the owner of a highway motor vehicle with respect to which the collection of the tax imposed by section 4481 is suspended under paragraph (1) shall not be liable for the tax imposed by section 4481 (and the new owner shall be liable for such tax) with respect to such vehicle if—

(A) such vehicle is transferred to a new owner,

(B) such suspension is in effect at the time of such transfer, and

(C) the old owner furnishes such information as the Secretary by forms and regulations requires with respect to the transfer of such vehicle.

(5) 7,500-MILES EXEMPTION FOR AGRICULTURAL VEHICLES.—

(A) IN GENERAL.—In the case of an agricultural vehicle, paragraphs (1) and

(2) shall be applied by substituting “7,500” for “5,000” each place it appears.

(B) DEFINITIONS.—For purposes of this paragraph—

(i) AGRICULTURAL VEHICLE.—The term “agricultural vehicle” means any highway motor vehicle—

(I) used primarily for farming purposes, and

(II) registered (under the laws of the State in which such vehicle is required to be registered) as a highway motor vehicle used for farming purposes.

(ii) FARMING PURPOSES.—The term “farming purposes” means the transporting of any farm commodity to or from a farm or the use directly in agricultural production.

(iii) FARM COMMODITY.—The term “farm commodity” means any agricultural or horticultural commodity, feed, seed, fertilizer, livestock, bees, poultry, fur-bearing animals, or wildlife.

(6) OWNER DEFINED.—For purposes of this subsection, the term “owner” means, with respect to any highway motor vehicle, the person described in section 4481(b).

(e) REDUCTION IN TAX FOR TRUCKS USED IN LOGGING.—The tax imposed by section 4481 shall be reduced by 25 percent with respect to any highway motor vehicle if—

(1) the exclusive use of such vehicle during any taxable period is the transportation, to and from a point located on a forested site, of products harvested from such forested site, and

(2) such vehicle is registered (under the laws of the State in which such vehicle is required to be registered) as a highway motor vehicle used in the transportation of harvested forest products.

(f) REDUCTION IN TAX FOR TRUCKS BASE-PLATED IN A CONTIGUOUS FOREIGN COUNTRY.—If the base for registration purposes of any highway motor vehicle is in a contiguous foreign country for any taxable period, the tax imposed by section 4481 for such period shall be 75 percent of the tax which would (but for this subsection) be imposed by section 4481 for such period.

(g) TERMINATION OF EXEMPTIONS.—Subsections (a) and (c) shall not apply on and after October 1, 2005.

SEC. 4484. CROSS REFERENCES.

(1) For penalties and administrative provisions applicable to this subchapter, see subtitle F.

(2) For exemption for uses by Indian tribal governments (or their subdivisions), see section 7871.

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